A Progressive Montney Producer for the New Energy Market

ADVANTAGE ENERGY LTD.

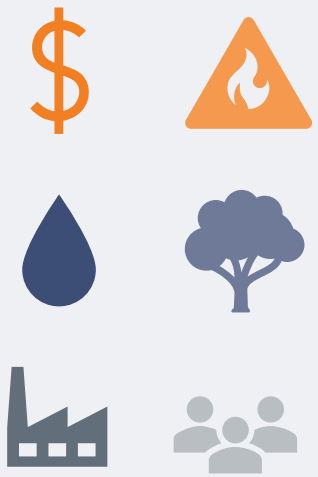
Investor Presentation

TSX: AAV 52-week trading	$1.67 to $8.37
Shares Outstanding (basic)	191 million
Market Cap / EV ($ billions)	$1.4 / $1.6

January 2022

Corporate Strategy – Surge in Profitability Creating Generational Opportunity

Maintain Strong Foundations → Free Cash Beyond Expectations Plus Moderate Growth → Enhance Resilience and Scale



- Reduce net debt/AFF towards zero
- Grow production ~10%/year
- Focus on top tier economics
- Progress: ENTROPY CO_2

- ***Net-zero by 2025***
- Liquids growth to balance gas weighting
- Midstream revenue
- Diversify into cleantech
- Net-zero "blue gas"
- Acquisitions creating efficiencies and scale

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Notes:
1. Forward-looking information. Refer to Advantage news release dated December 6, 2021 including Advisories for material assumptions and risk factors.

Corporate Strategy – Strength Across the Board

Financial Stability

Unprecedented profitability

Debt reduction ahead of expectations

Capital investment driving significant AFF per share growth

Top Tier Asset Quality

120% PDP reserve replacement, $8.41/boe F&D cost (2020)

Well payouts of 5 to 8 producing months

Infrastructure dominance facilitating acquisitions and midstream revenue

Evolving Competitively

Entropy Inc. - Modular Carbon Capture and Storage

Advancing liquids development and acquisitions

Technical enhancements delivering superior performance

Foundations in Risk Management

20% to 50% commodity hedges

Diversified markets and low relative commitments

Low abandonment liability and responsible stewardship

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Notes:
1. Forward-looking information. Refer to Advantage news release dated December 6, 2021 including Advisories for material assumptions and risk factors.

2022 Capital Investment Thesis Generates Significant Revenue Growth [1]

$170 - $200 million
Net Capital Expenditures

$75 million
Sustaining Capital

Glacier focused program (9 wells), maintenance capital, corporate costs

~$80 million
Liquids-Focused Growth Capital

Wembley, Valhalla & Progress liquids drilling (13 wells), facility utilization optimized

~$30 million
Cash-Generating Infrastructure Initiatives

Capture third-party revenue, reduce cost structure, cleantech investments

+
Acquisitions

Synergistic fit, liquids weighting, reduce concentration risk, strengthen profitability

All-in Capital Efficiency
$11,800/boe/d
24% base decline rate

Production Growth
52,000–55,000 boe/d

Year End Net Debt
≈ Nil

FCF / Debt Repayment
≈ $185 million

Growing Processing Revenue
≈ $9 million/year

Costs
Operating ≈ $2.45/boe
Royalty 7-9%

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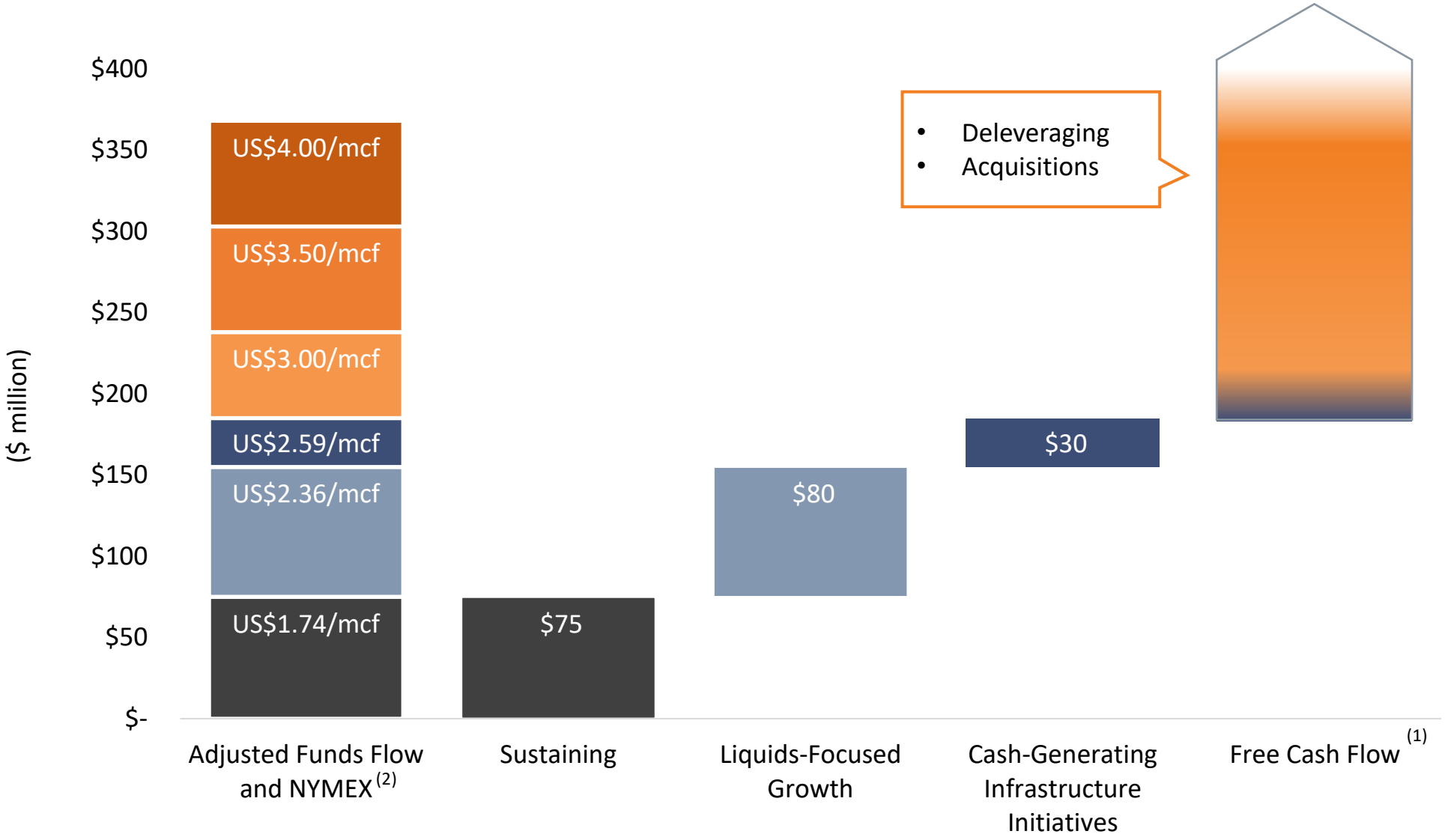
Notes:
1. Forward-looking information. Refer to Advantage news release dated December 6, 2021 including Advisories for material assumptions and risk factors.

2022 Capital Program: Profit Margins at Generational Highs[1]



Notes:
1. Forward-looking information. Refer to Advantage news release dated December 6, 2021 including Advisories for material assumptions and risk factors.
2. NYMEX price assumptions in US$/mcf. Other 2022 price assumptions include US$70/bbl WTI, US$1.35/mmbtu AECO/NYMEX Basis, 0.7880 FX and hedging.

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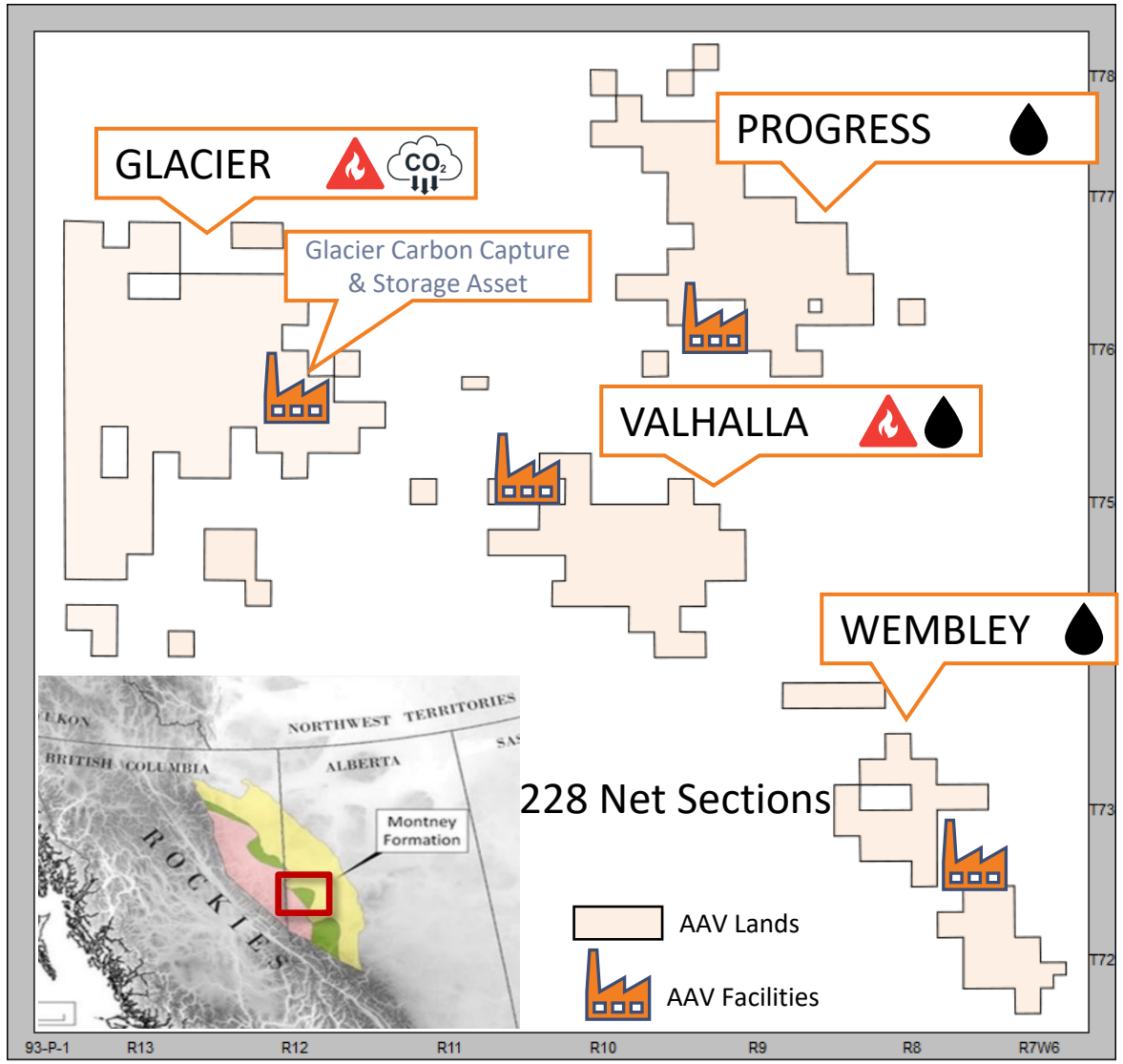
World Class Assets, Operational Excellence, Environmental Leadership



Disciplined Financial Management

Self funded growth with free cash flow

Prolific Gas Foundation

Free cash generation with lowest declines and cost

High Quality Light Oil

Deep inventory of high quality resource

Clean Sustainable Energy

State of the art emissions engineering

Low-Cost Owned Infrastructure

Controlled, efficient, innovative

Invested in Alberta's Communities

Generating employment and giving back

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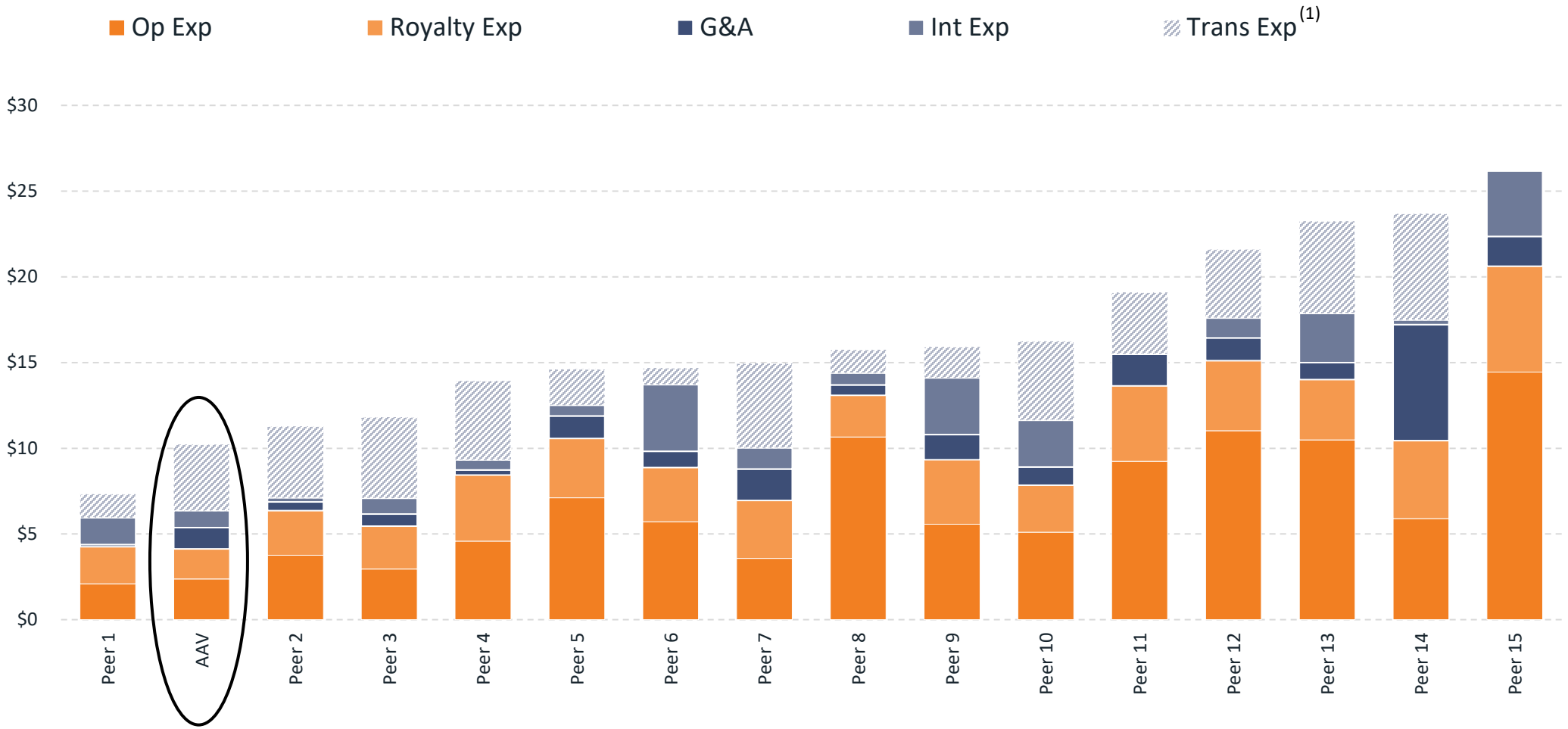
Low-Cost Structure: A Key Factor in FCF Generation Capacity



Notes:

1. Transportation is not a typical cost as it is generally associated with accessing higher priced markets.

Source: Scotiabank, December 3, 2021. Third quarter 2021 cash costs $/boe.

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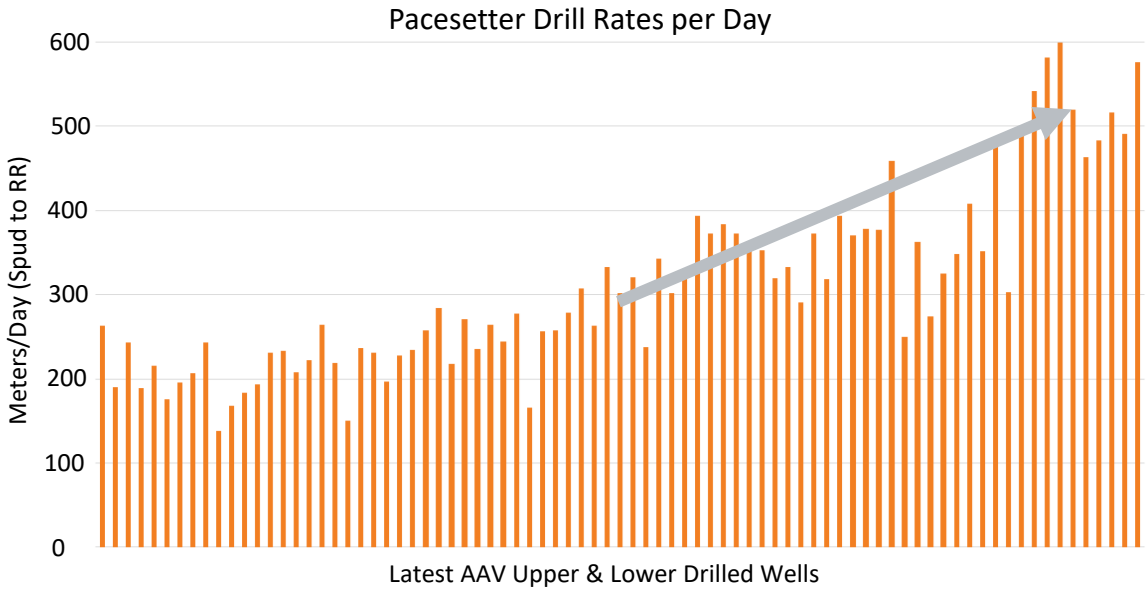
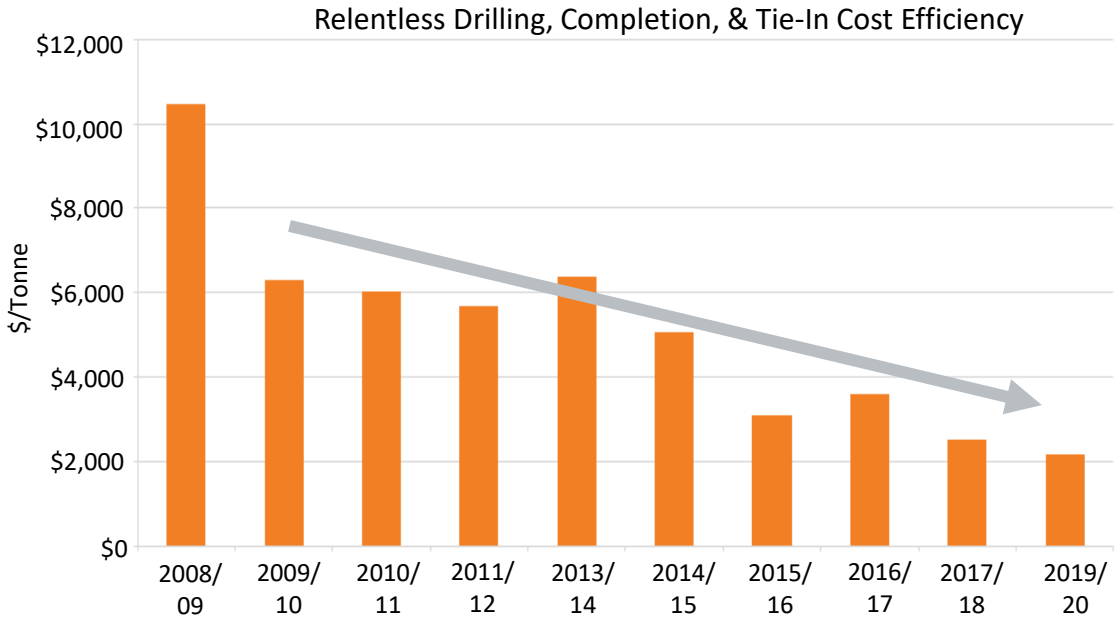
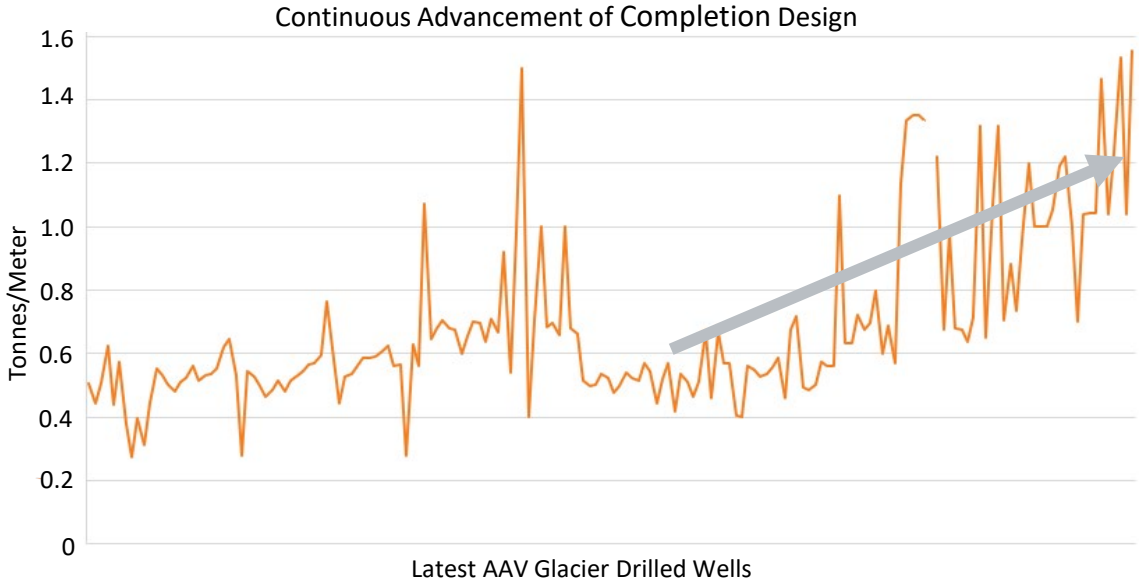
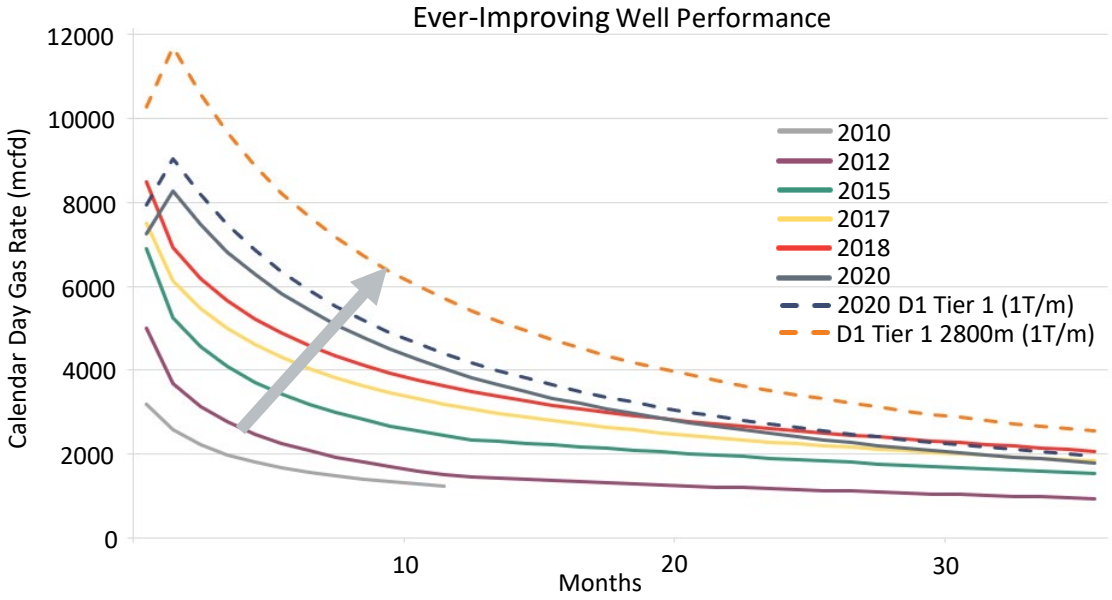
Track Record of Enhancing Efficiency and Performance

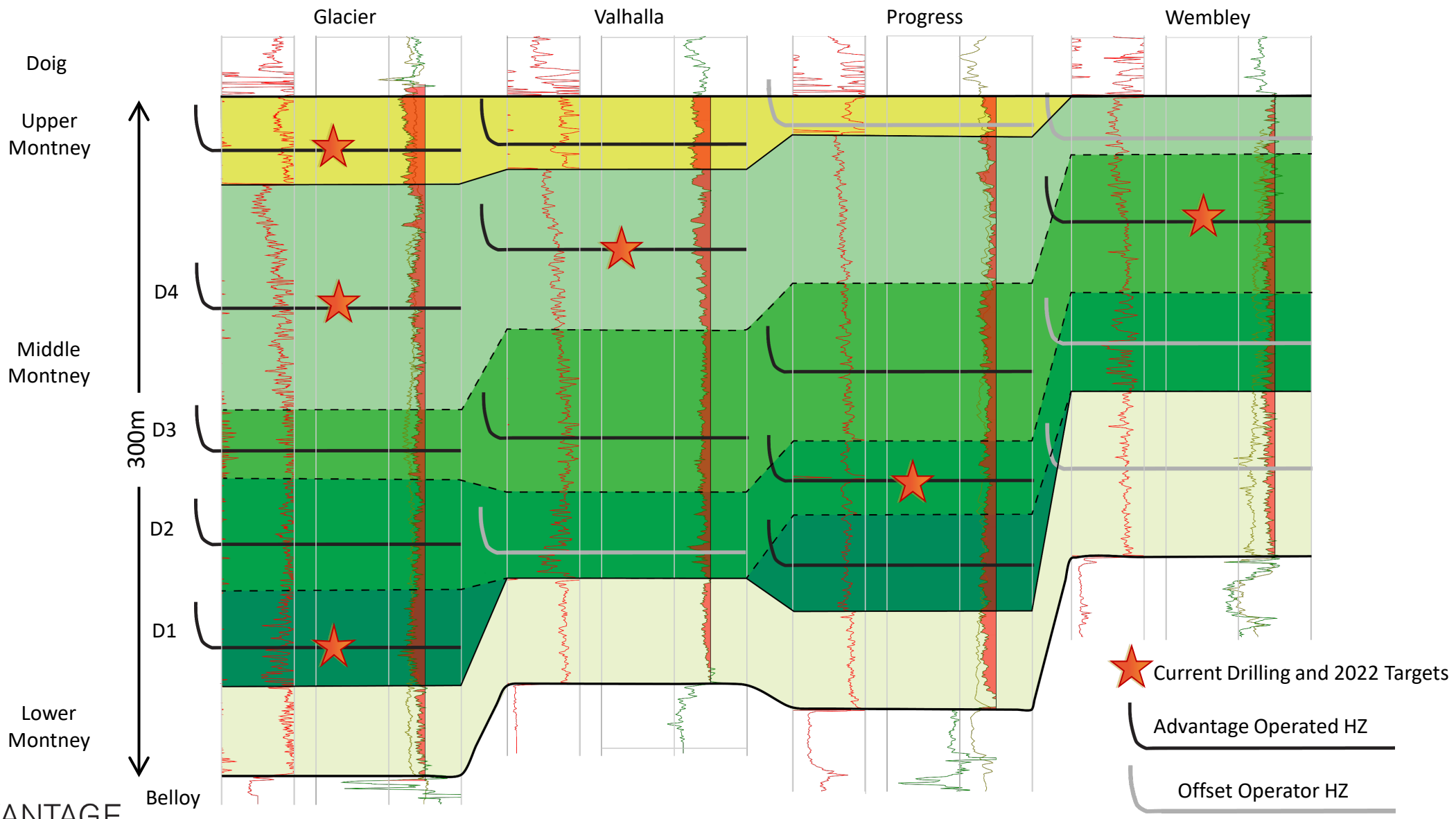








Advantage Montney Assets – Multizone Oil, Liquids and Gas Throughout



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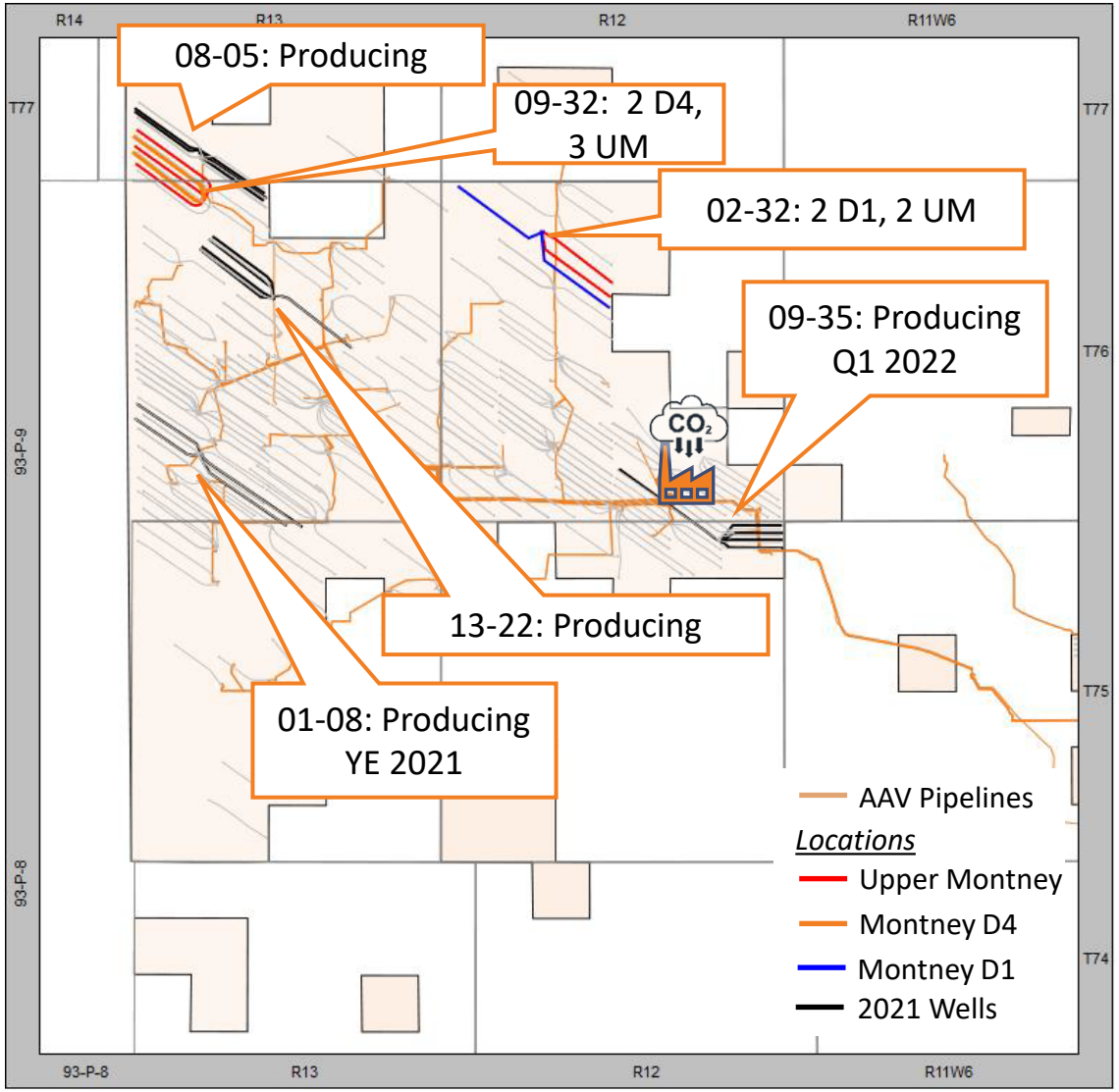
Glacier: Prolific Low-Cost Gas on Path to Net Zero



- Phase 1 CCS construction at Glacier facility underway
- 9 wells to be drilled and completed in 2022
- 2021 program achieving average **7-month well payouts**
- 02-32 pad applies updated frac design to legacy area
- 09-32 pad finishes NW portion of 3 bench cube
- New wells incur negligible incremental operating cost

Advantage wells and third-party volumes filling capacity as facility drives towards zero emissions

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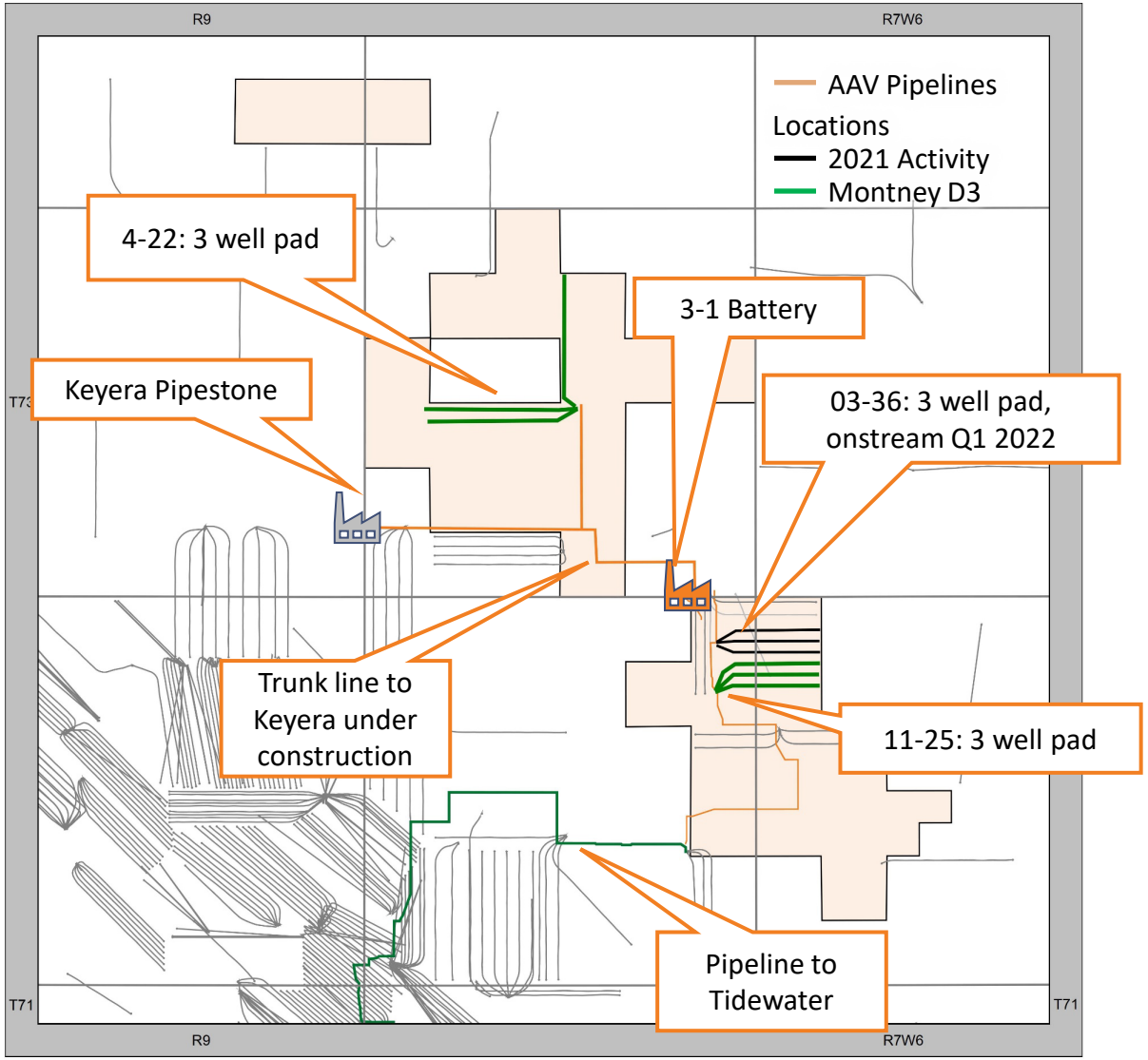
Wembley: Driving Corporate Liquids Growth in the Pipestone Play



- 6 drills and 9 completions planned for 2022
- Prolific D3 zone primary target – 65% liquids
- Keyera tie-in underway
- 40 mmcf/d firm service processing capacity, with take-or-pays totaling only 13.5 mmcf/d in 2022
- Integrated water disposal, storage and sourcing centered around 3-1 battery site

Compelling economics and significant existing infrastructure capacity facilitate efficient liquids growth

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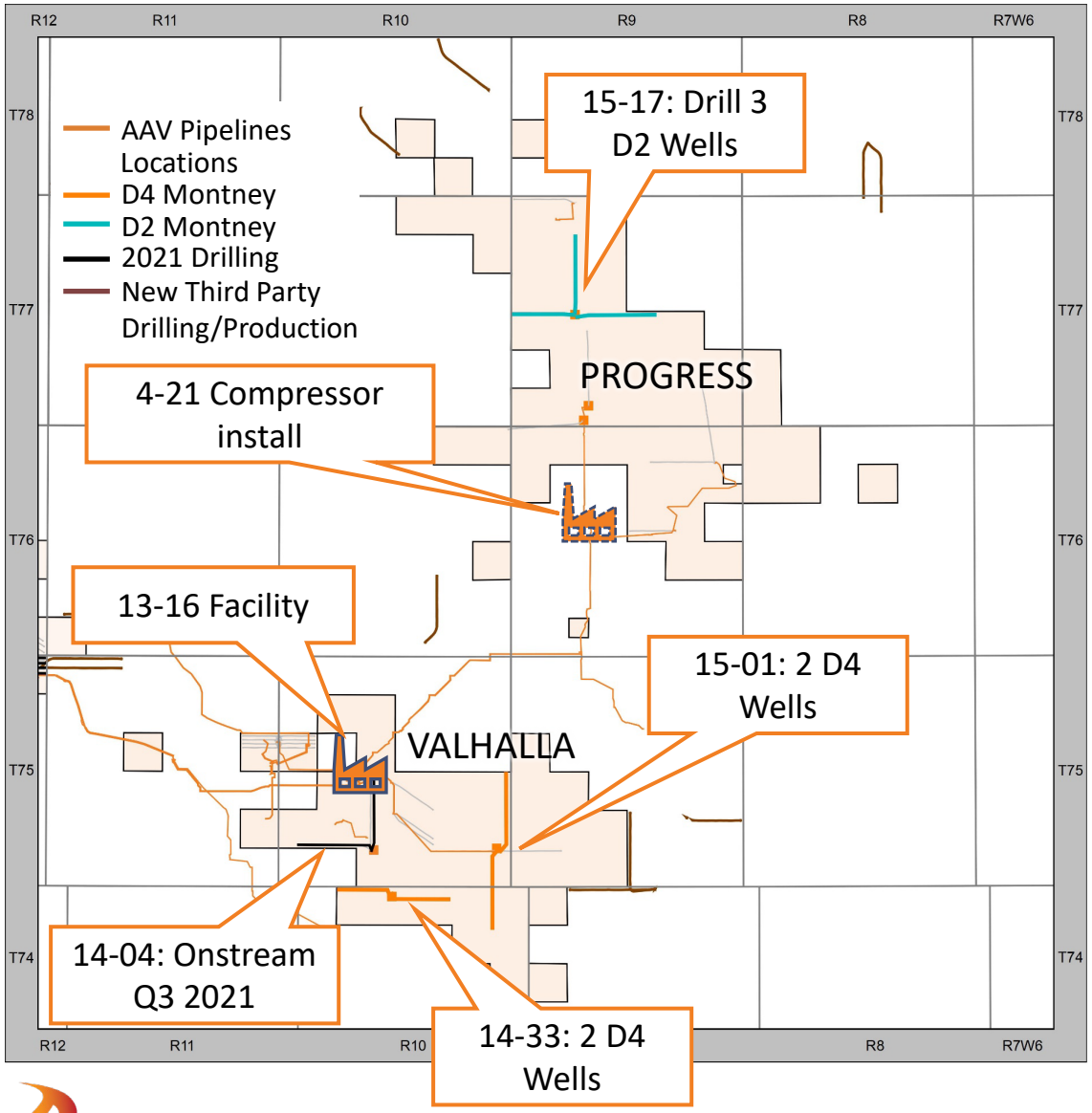
Progress/Valhalla: Integrated Assets, Prolific Liquids-Rich Wells



PROGRESS – Expanding infrastructure footprint

- 15-17 pad: build out liquids rich inventory
- 4-21 compressor installation allows gas volumes to be sent directly to Glacier
  - Backstopped by Third-Party Fees on take-or-pay arrangement for 5 years
  - Freeing-up capacity at 13-16 Facility

VALHALLA – Building liquids rich production

- Leverage off recent D4 success at 14-04
- Validates performance of inventory across property
- Backfill Valhalla facility as Progress 4-21 compressor comes online
- Positions Valhalla for rapid development as infrastructure capacity increases

Liquids-rich drilling just getting started… integrated facilities tied back to Glacier

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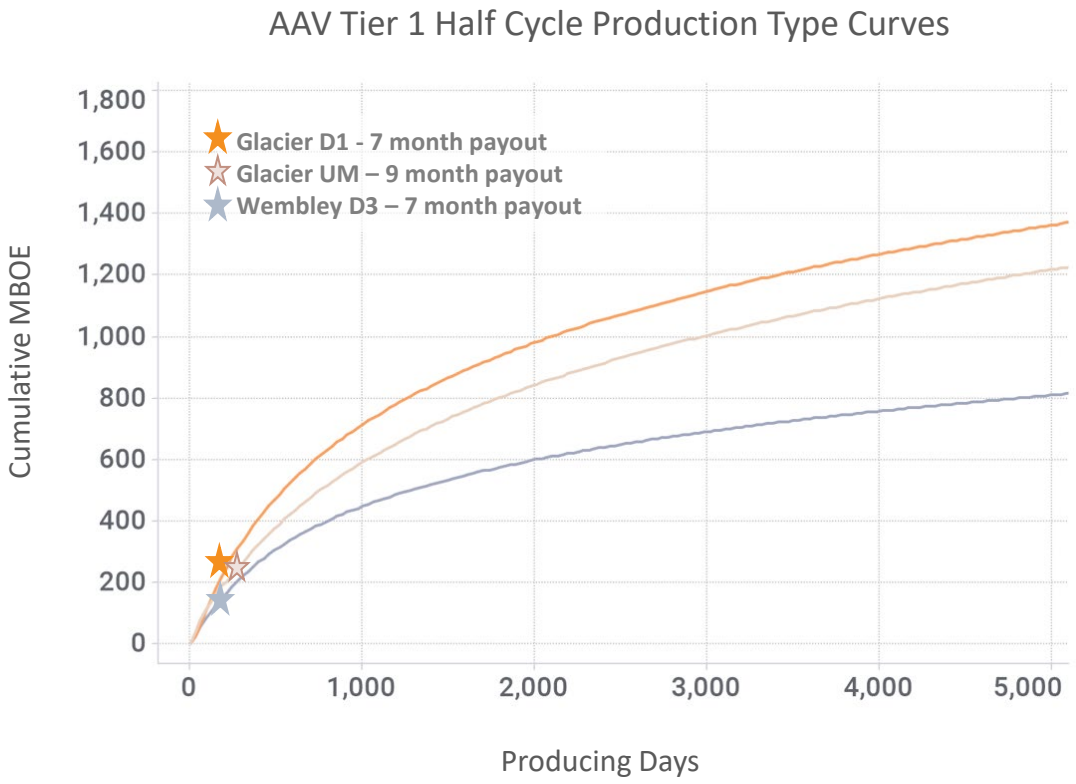
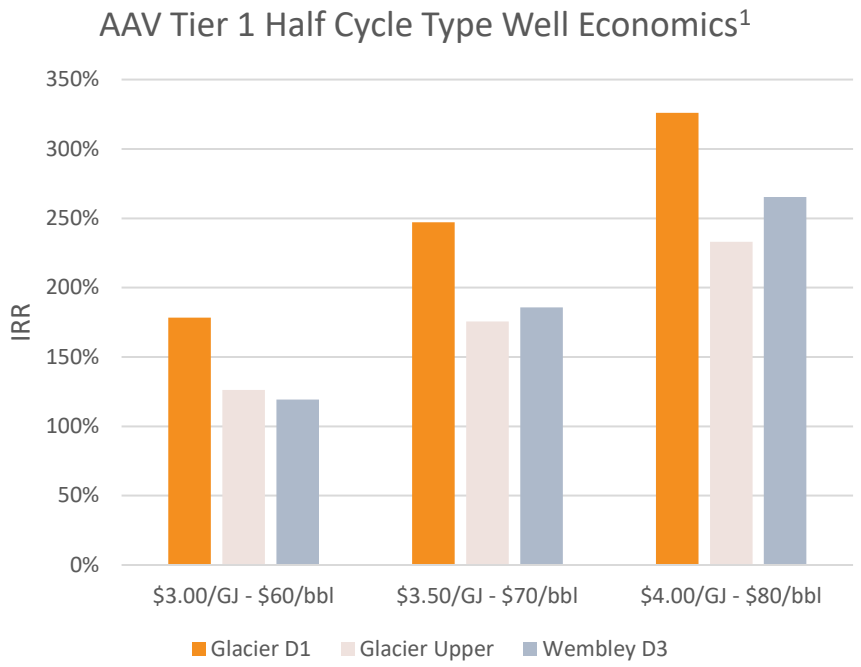
Robust Montney Type Curve Economics



C$3.50/GJ & US$70/bbl WTI[1]	Rate of Return (%)	Payout[2] (months)	NPV10 ($MM)
Glacier D1 Gas	247	7	12.8
Glacier Upper Gas	176	9	10.7
Wembley D3 Oil	186	7	9.6



- Advantage's Montney inventory provides multiple prolific gas and liquids targets that efficiently utilize owned infrastructure

Notes:
1. Production and economic forecasts per internal estimates. Flat pricing assumptions calculated using Nov 22, 2021 Strip MSW differentials (2022 - US$5.05, 2023 - US$4.70) with strip FX CAD/USD (2022 – $0.79, 2023 – $0.78). Bbl where noted in illustrations: WTI $US/bbl. Inflation calculated as per 2022 3% and thereafter 2%
2. Well payout is calculated from onstream date

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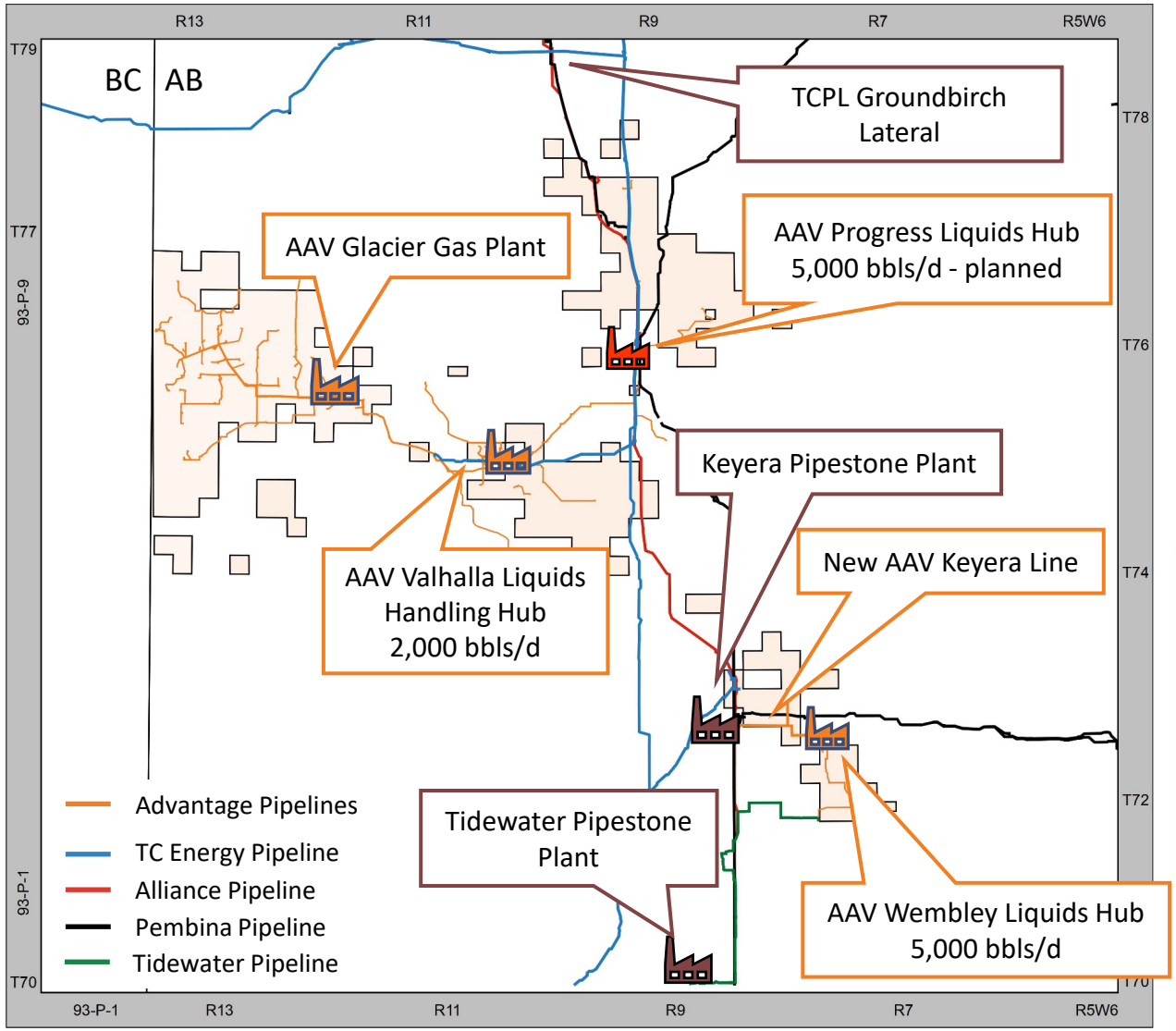
Strategic Infrastructure Control, Flexible Pipeline Access



- 400 mmcf/d + 6,800 bbl/d capacity Glacier Gas Plant; >130 mmcf/d surplus capacity available
- 45 mmcf/d + 2,000 bbl/d Valhalla hub
- 35 mmcf/d + 5,000 bbl/d Wembley hub – dual connected via Tidewater and Keyera
- 25 mmcf/d + 5,000 bbl/d Progress compressor Q1 2022

Advantage Glacier Gas Plant

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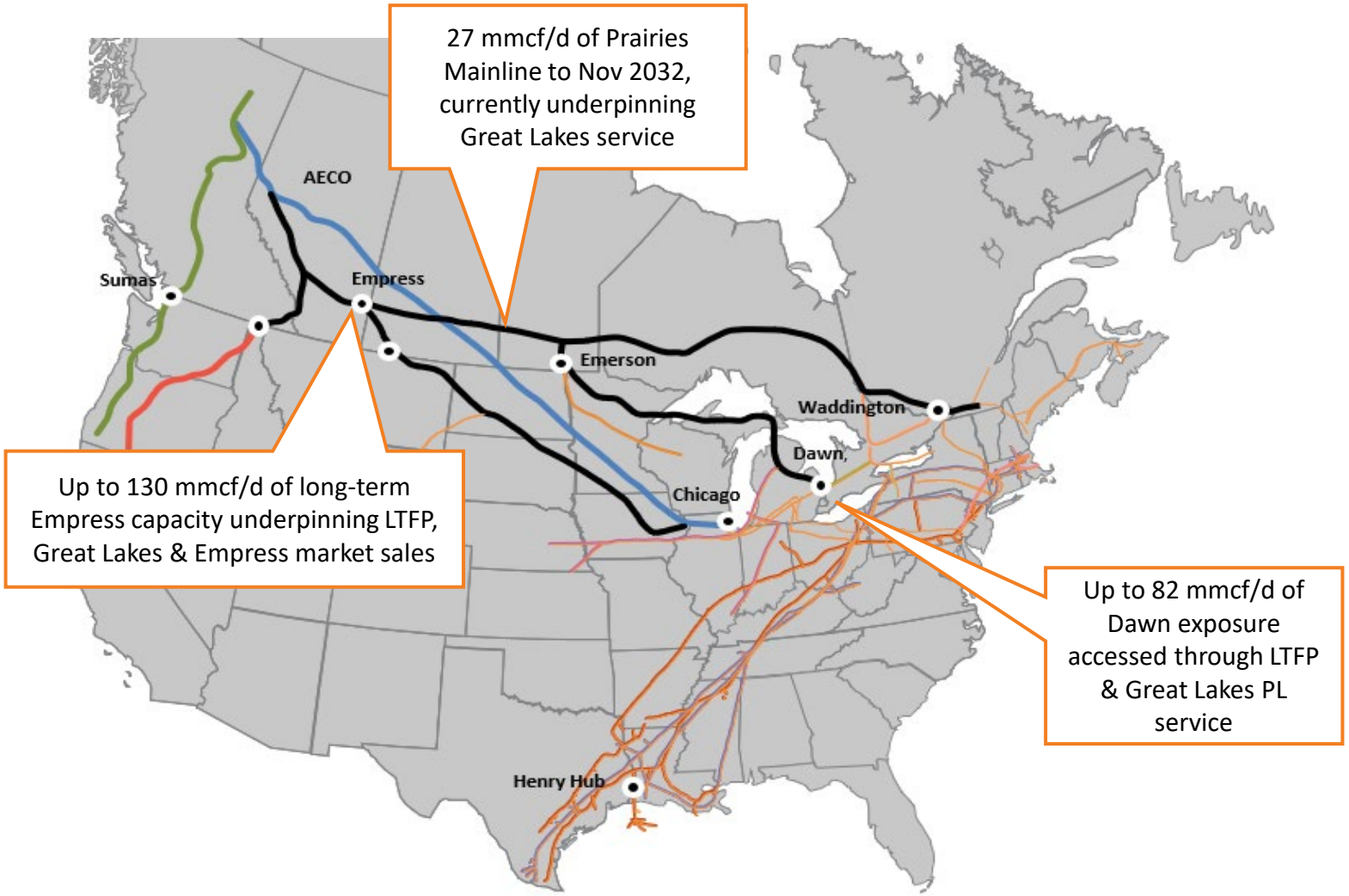
Natural Gas Transportation Portfolio



Empress

- Total Empress capacity of 125 – 130 mmcf/d between 2022 & 2025
- 43 – 49 mmcf/d is open exposure to Empress

TC LTFP

- 55 mmcf/d of TC Long-term Fixed Price (LTFP) capacity to Dawn until Oct 2027

TC Mainline plus Great Lakes

- 27 mmcf/d of TC Mainline capacity to Emerson until Oct 2032
- Matched 27 mmcf/d of Great Lakes capacity to Dawn until Oct 2022

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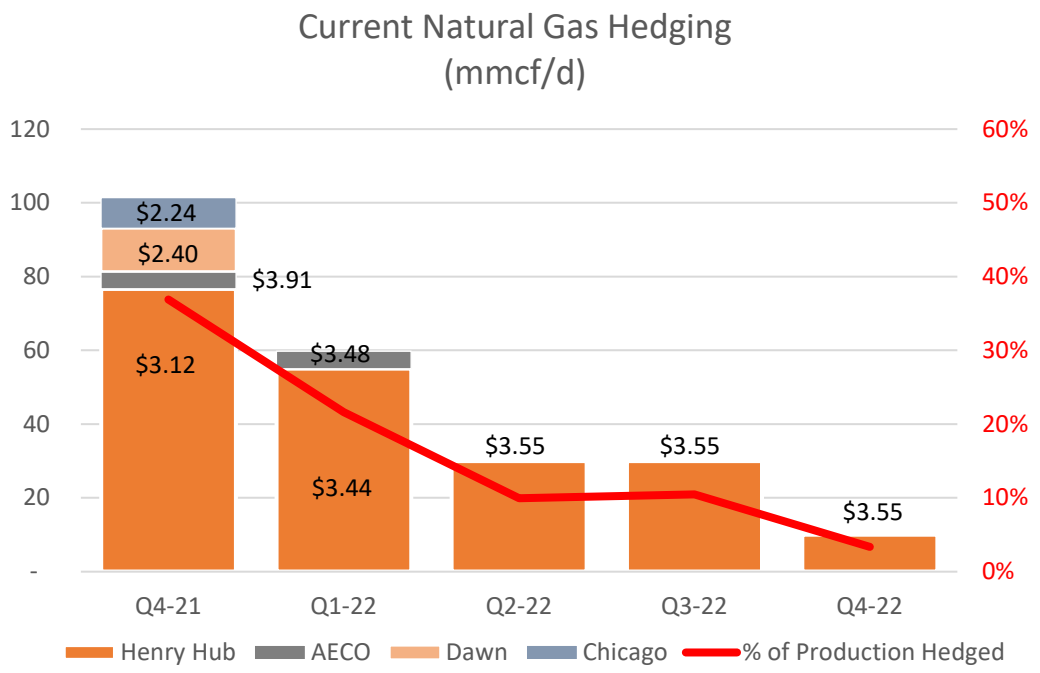
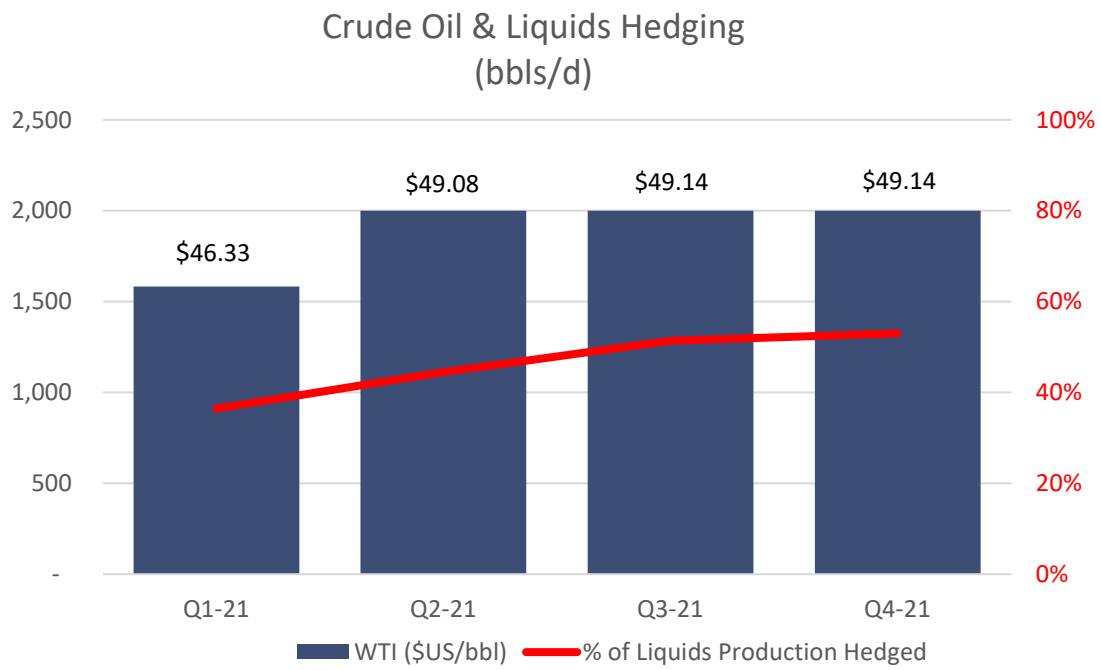
Market Diversification and Hedging Activities

Revenue Exposure by Markets	Q1/22	Q2/22	Q3/22	Q4/22	2023	2024-2025
AECO	42%	49%	47%	53%	42%	46% - 48%
Empress	18%	16%	16%	15%	15%	15% - 16%
Emerson	0%	0%	0%	3%	8%	7% - 9%
Dawn	29%	26%	27%	20%	17%	16% - 19%
U.S. Midwest	11%	9%	10%	9%	10%	0% - 8%
Gas Supply-to-Power Generation	0%	0%	0%	0%	8%	9%





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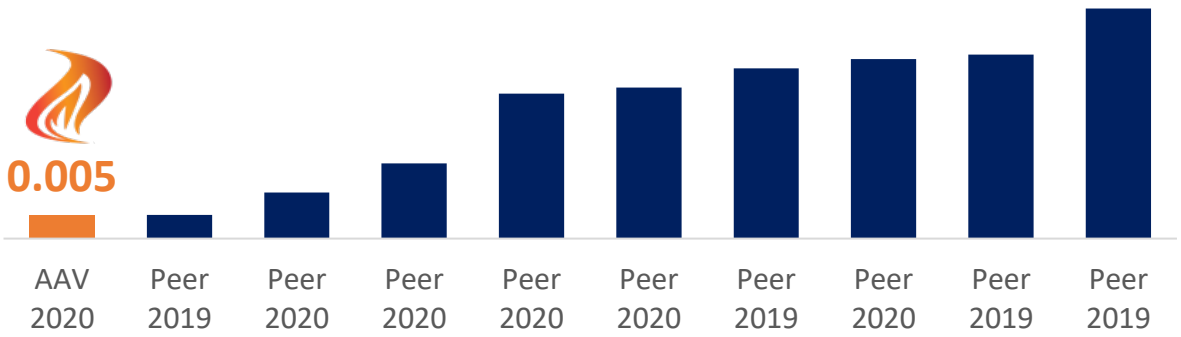
Celebrating 20 Years of Sustainability – NET ZERO in 2025

Industry Leading Low Emissions

Emissions Intensity tCO_2e/boe (Scope 1 and 2)

Low Fresh Water Usage

Fresh Water Intensity m^3/boe



Outstanding Health & Safety Achievements

100% Alberta Certificate of Recognition in 2020

100% of Full Time Employees are Fully Vaccinated!

Invested in Communities

- Establishment of an Indigenous Scholarship Program to continue to support these important communities
- Created over 700 Full Time Jobs in 2020
- Contributed over $1 million to charities & programs since inception
- More details in our Sustainability Report

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Entropy Carbon Capture and Storage – Our Role in the Energy Transition

Leader in the development and commercialization of carbon capture and storage

E=MC²

ENTROPY = MODULAR CARBON CAPTURE

ENTROPY

PROPRIETARY CARBON CAPTURE TECHNOLOGY

- Exclusive ownership of world class patent-pending solvent, Entropy23™
- Proven, low-risk process technologies optimized for solvent performance
- Modular, scalable technology applicable to a broad suite of hard-to-abate industries
- Expertise in identifying and qualifying reservoirs for CO_2 storage

CCS PROJECT DEVELOPER AND TECHNOLOGY PROVIDER PURSUING CARBON REVENUE

- Full lifecycle solution is profitable at today's carbon prices
- Attractive business model as project owner and operator provides direct exposure to increasing global carbon prices
- Individual project IRRs of ~20%+ p.a.[(1)(2)] without credits from clean fuel standards and investment tax credit; increases with escalating carbon prices

VALUABLE AND UNIQUE TECHNICAL LEADERSHIP

- **Advantage** – Proven track record of capital discipline, low operating costs and subsurface sequestration
- **ABC** – Exclusive engineering services provider; experts in process design, modularization and project management
- **U of R's CETRI** – Global leaders in CCS and liquid solvents with over 30-year research history

(1) Assumes C$400/tpa capital efficiency, 10% discount to carbon credit pricing benchmark, and excludes corporate costs relating to G&A, cash taxes, working capital adjustments, and asset retirement obligations; project IRRs & NPVs (10%) are before-tax; project cost expected to vary for each application based on exhaust composition, storage availability, onsite power, and waste heat availability

(2) @ Gov't Planned Pricing; assumes no escalation of costs or revenue (beyond Gov't Planned pricing of C$170/t by 2030); excludes expected benefit for investment tax credits and potential CFS credit stacking, government grants, etc.

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GLACIER CCS:
ENROUTE TO NET ZERO

400 mmcf/d of Natural Gas Processing Capacity

Creating a New Class of Low Emissions Energy: Blue Natural Gas

Energy input and operating costs are expected to be $15/tonne, fuel gas cost $3.10/mmbtu

PHASE 1 - ONSTREAM Q2 2022

TONNES CO_2E/YEAR: **47,000**

CAPITAL: **$27MM** FULLY FUNDED

ANNUAL NET OPERATING INCOME (AT $50/TONNE): **$3.1MM** (4)

BECP: **$40/T** (3)

NPV10: **$32MM** (2)

PHASE 1B - INTEGRATED CARBON CAPTURE - ONSTREAM Q1 2023

TONNES CO_2E/YEAR: **16,000**

CAPITAL: **$5MM**

ANNUAL NET OPERATING INCOME (AT $50/TONNE): **$0.5MM**

BECP: **$47/T** (3)

NPV10: **$12MM** (2)

PHASE 2 - ONSTREAM H2 2023

TONNES CO_2E/YEAR: **136,000**

CAPITAL: **$49MM**

ANNUAL NET OPERATING INCOME (AT $50/TONNE): **$3.2MM**

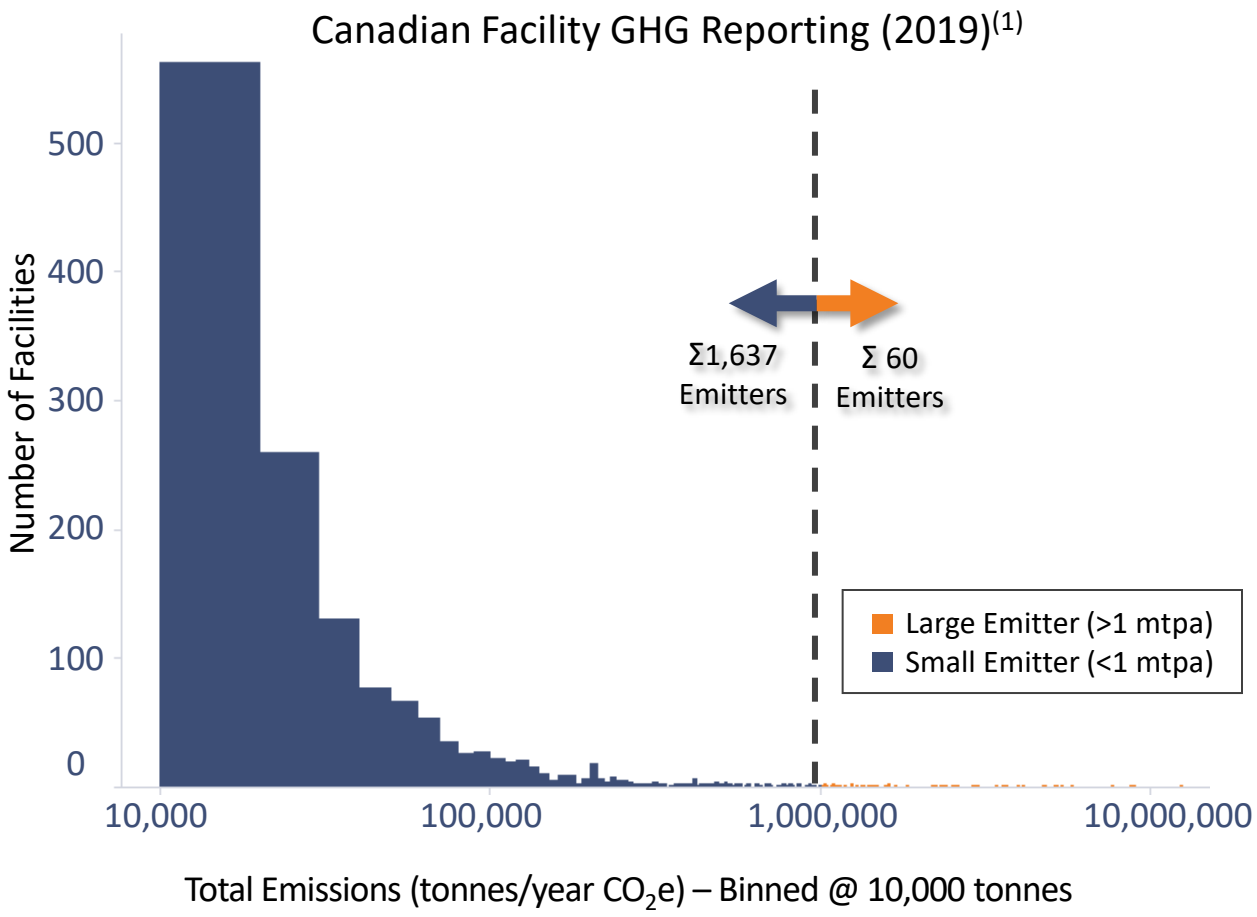
BECP: **$60/T** (3)

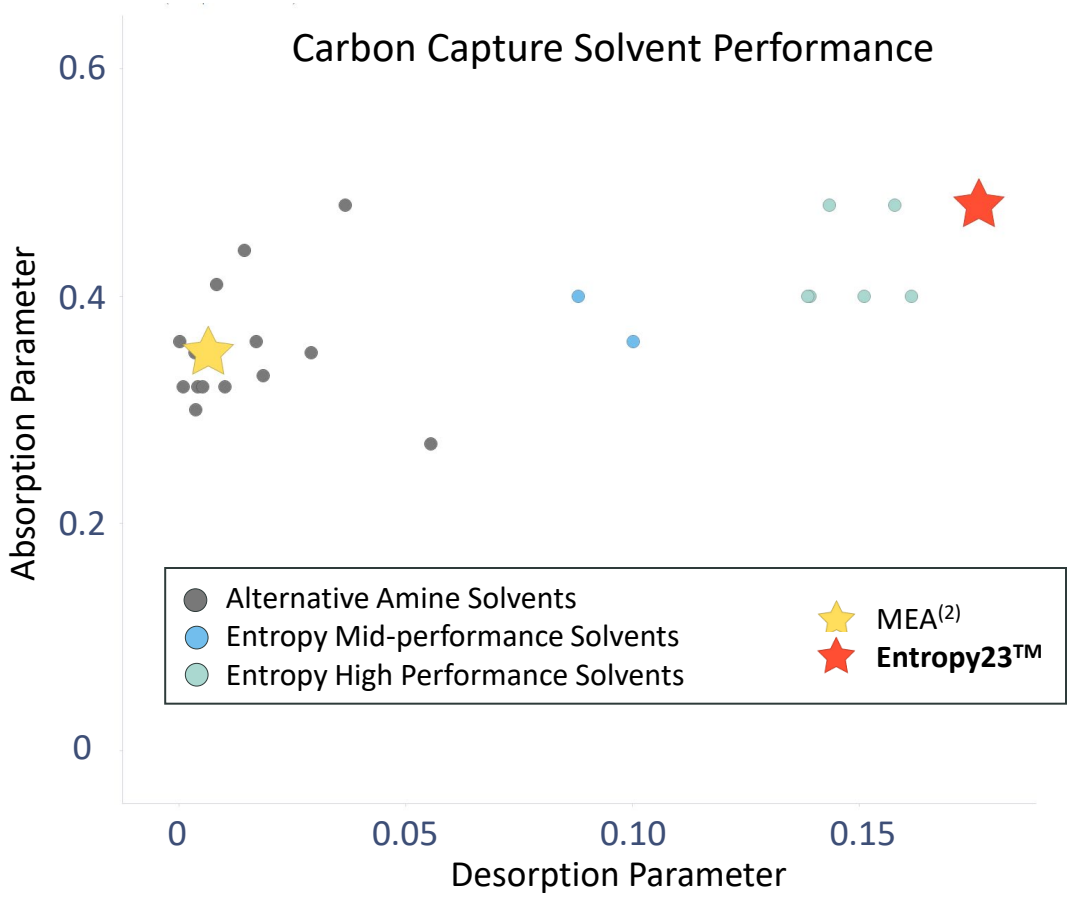
NPV10: **$79MM** (2)

Notes:
(1) Forward-looking information. Refer to Advisory for material assumptions and risk factors.
(2) NPV_{10} calculated at Canadian Federal Government planned carbon credit pricing benchmark
(3) Break-even carbon price ("BECP") assuming an unlevered, before-tax 10% IRR; includes cost of carbon capture, transport and storage
(4) Phase 1 includes both Reverse Entropy Carbon Capture™ and additional net operating income generated from Entropy Heat Capture™ (waste heat recovery) of ~$1.4MM

Entropy Modular CCS: Lowest Cost, Most Efficient Technology

While MCCS is suitable for all project sizes, Entropy is developing multiple projects exceeding 1 mtpa in several industrial sectors





Higher absorption/desorption values result in reduced equipment size & lower costs

Notes:
(1) Data from Environment and Climate Change Canada's Greenhouse Gas Reporting Program (2019)
(2) Monoethanolamine is an industry standard solvent used for carbon capture

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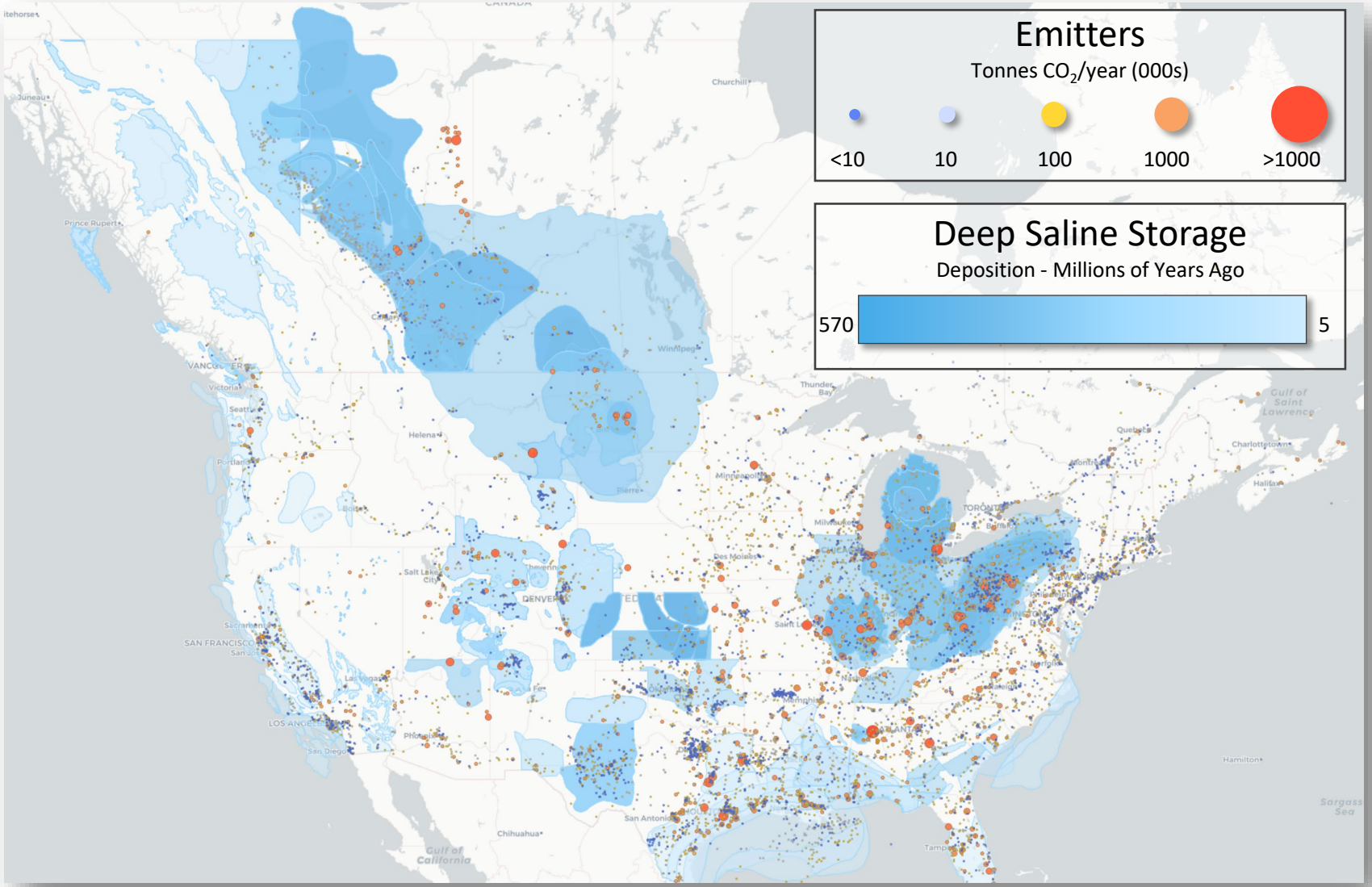
North American CCS: Scalable Growth and Plentiful Storage

- Canada: Federal carbon tax and imminent tax incentives
- USA: 45Q CCS tax incentive
- Throughout North America, emitters are now incentivized to pursue CCS

Entropy Inc. is currently pursuing strategic financing options for use in developing additional CCS projects:

https://entropyinc.com/wp-content/uploads/2021/08/2021.08.23-Entropy-Announces-Financing.pdf



Notes:
(1) Emissions Data from Environment and Climate Change Canada's Greenhouse Gas Reporting Program (2019)
(2)Saline Aquifer Data from https://edx.netl.doe.gov/geocube/#natcarbviewer

ADVANTAGE ENERGY LTD.

Advantage Contact Information

Advantage Glacier Gas Plant

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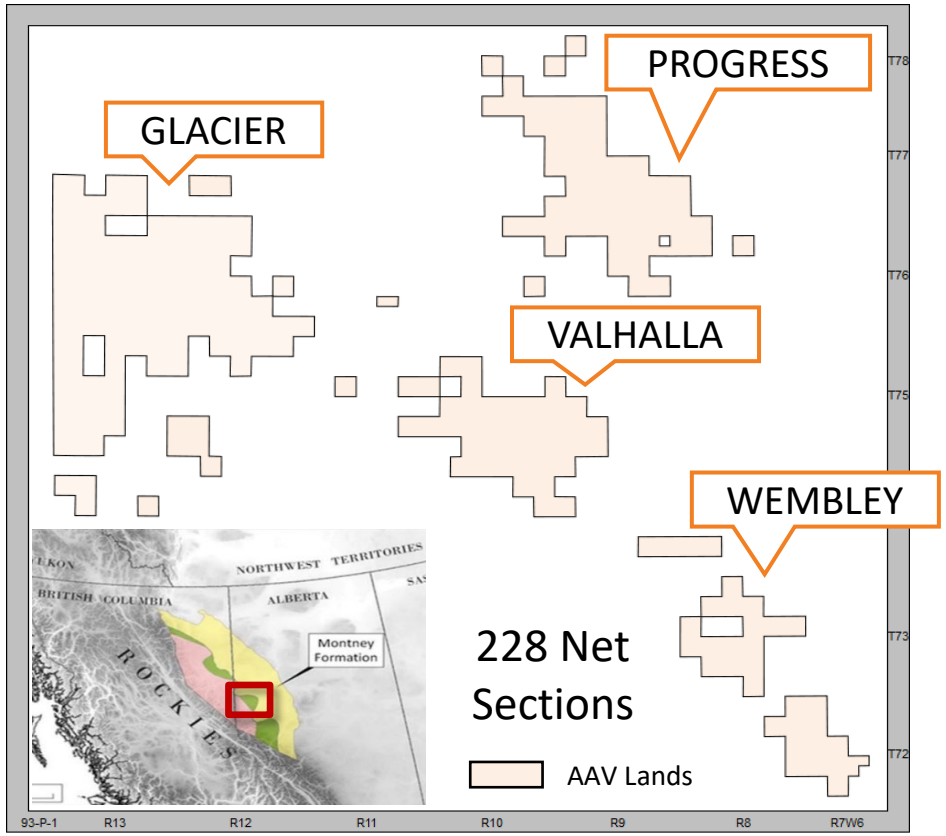
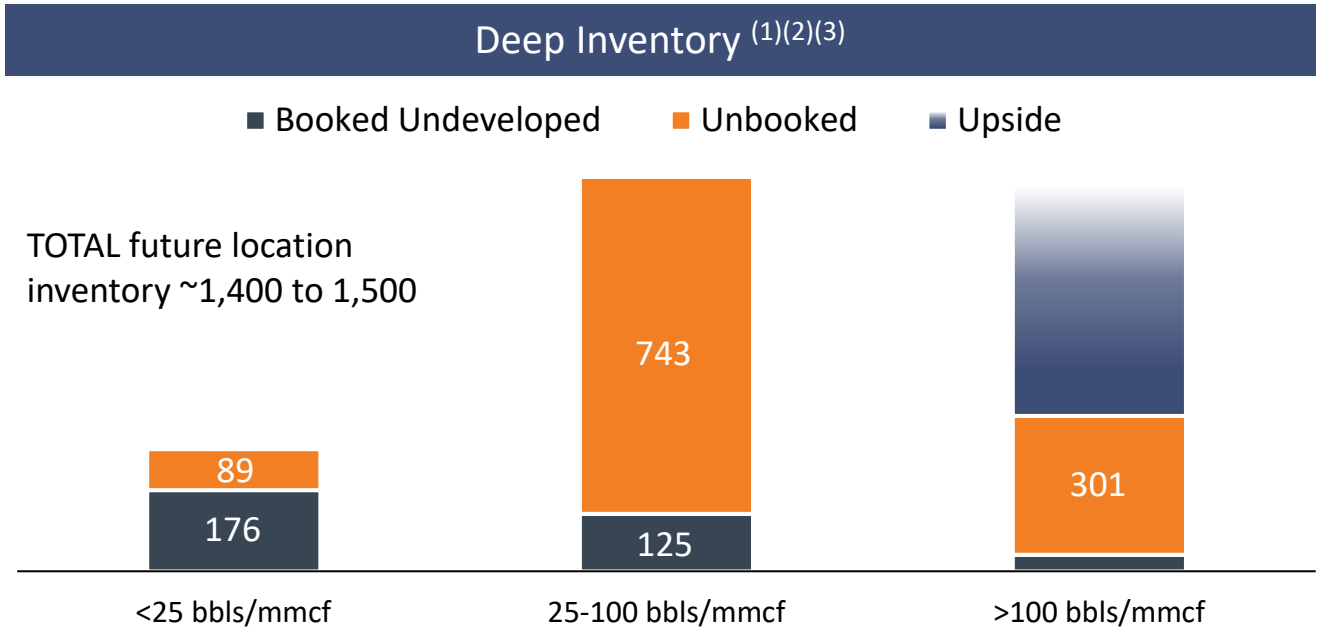
Financial Discipline
Operationally Nimble
Focus on Profitability

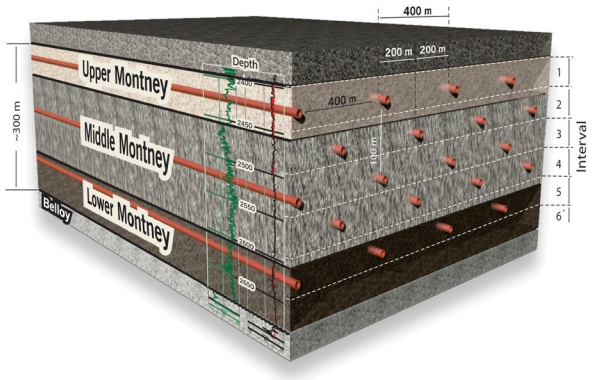
APPENDIX

Area Overview – Deep Inventory of Gas, NGLs and Oil





Liquids Rich Middle Montney



- Total of ~228 net sections (145,920 net acres)
- Middle Montney is liquids-rich throughout (25 to 280 bbls/mmcf)
- Only 80 liquids-rich wells drilled to date – 5% of inventory
- Glacier Gas Plant
  - 400 mmcf/d raw gas capacity, 6,800 bbls/d liquids handling

1. Management Estimates. Refer to Advisory.
2. Based on Sproule December 31, 2020 Reserves Report.
3. C_3+ shallow cut recoveries.

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Advisory

Forward-Looking Information and Statements

The information in this presentation contains certain forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws relating to the Corporation's plans and other aspects of its anticipated future operations, management focus, strategies, financial, operating and production results and business opportunities. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. The statements have been prepared by management to provide an outlook of the Corporation's activities and results and may not be appropriate for other purposes. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "guidance", "demonstrate", "expect", "may", "can", "will", "project", "predict", "potential", "target", "objectives", "intend", "could", "might", "should", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy and development plans; Advantage's ability to generate free cash flow and growth, reduce net debt to adjusted funds flow to zero, grow production, enhance resilience and scale, diversify into cleantech; complete acquisitions that create efficiencies and scale and progress Entropy; the potential for acquisitions; the Corporation's estimated net capital expenditures for 2022, including the expected allocation and timing of such expenditures and the anticipated effect of such expenditures on capital efficiency, revenue, production growth, free cash flow, net debt, processing revenue and costs; Advantage's expectations that its 2022 year end net debt will be nil; Advantage's estimates of sustaining capital, liquids-focused growth capital, cash-generating infrastructure initiatives and base decline; the anticipated timing of when well payout will be achieved; that the 2022 capital program will be fully funded with free cash flow; Advantage's 2022 drilling targets; the opportunities provided by the deployment of Entropy's CCS technology; the anticipated number of wells to be drilled and completed in 2022; Advantage's access to pipelines and anticipated capacity; that Advantage will achieve net-zero emissions by 2025; the anticipated implementation date of Advantage's Indigenous Scholarship Program; that projects developed by Entropy will be profitable and that Entropy will be profitable at current carbon prices; the development of and the anticipated benefits from the Glacier Gas Plant Phase 1 and Phase 2 projects and the anticipated timing thereof; Entropy's expectations of the amount of CO2e that will be removed from the atmosphere by each of the Glacier Phase 1 and Phase 2 projects and the annual net operating income and the break-even carbon prices in connection therewith; Entropy's expectations that it will be able to reduce equipment sizes and lower costs; the CCS opportunities available to Entropy and their ability to provide scalable growth and suitable storage; the number of wells planned 2022; the Corporation's future drilling inventory; the Corporation's transportation portfolio and future transportation capacity; the Corporation's hedging activities and the benefits to be derived therefrom; and other matters. Advantage's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

With respect to the forward-looking statements contained in this presentation, Advantage has made a number of material assumptions regarding, but not limited to: conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices; the Corporation's current and future hedging program; future exchange rates; future production and composition including natural gas and liquids; royalty regimes and future royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; future general and administrative costs; the estimated well costs including frac stages and lateral lengths per well; the number of new wells required to achieve the objectives of the 2022 calendar year; that the infrastructure in place at Wembley will be able to support long-term development; that the Corporation will have sufficient financial resources required to fund its capital and operating expenditures and requirements as needed; Entropy's receipt of partner, regulatory and community approvals; current and future carbon prices and royalty regimes; the price of and market for carbon credits and offsets; the proposed Canadian Clean Fuel Standards regulation including prices, implementation time, incremental application to carbon price,

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and other terms; availability of government initiatives to Entropy; the price of and market for carbon credits and offsets; the anticipated amount of carbon dioxide captured, stored and offset; that Entropy will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Entropy's conduct and results of operations will be consistent with its expectations; that Entropy will have the ability to develop projects in the manner currently contemplated; current or, where applicable, assumed industry conditions, laws and regulations will continue in effect or as anticipated; that strategic financing options will be available to Entropy; the impact of improving technologies; the performance of the new proprietary novel carbon capture solvent; that the estimates of Entropy's cost structure and the assumptions related thereto are accurate in all material respects; and that Entropy's existing business development initiatives will lead to new commercial projects.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions; impact of significant declines in market prices for oil and natural gas; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; Advantage's success at acquisition, exploitation and development of reserves; failure to achieve production targets on timelines anticipated or at all; unexpected drilling results; risk and assumptions used in estimating the 2022 calendar year financial and operating results, including commodity prices, timing of expenditures and the focus of such expenditures, change from current expectations; risk that the Corporation does not achieve the anticipated increases to production and revenues expected from the 2022 net capital expenditures; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; lack of available capacity on pipelines; delays in anticipated timing of drilling and completion of wells; delays in completion of infrastructure; lack of available capacity on pipelines; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; that Advantage will not achieve net-zero emissions by 2025; that strategic financing options will not be available to Entropy; that projects developed by Entropy will not be profitable and that Entropy will not be profitable at current carbon prices; that Entropy is unable to develop and deploy the projects in the manner currently contemplated; the performance of Entropy's new proprietary novel carbon capture solvent is different than anticipated; the anticipated amount of carbon dioxide captured, stored and offset is not consistent with expectations; the demand for CCS projects will not increase; that Entropy's identified projects will not lead to complete projects; Entropy will not be able to reduce equipment sizes and lower costs; and Entropy's CCS technologies will not be able to provide scalable growth and suitable storage. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form dated February 25, 2021, which is available at www.sedar.com and www.advantageog.com.

Management has included the summary of assumptions and risks related to forward-looking information in order to provide readers with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. The Corporation and management believe that the statements have been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is highly subjective and subject to numerous risks including the risks discussed above, it should not be relied on as necessarily indicative of future results.

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These forward-looking statements are made as of the date of this presentation and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This presentation contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to, Advantage's anticipated net capital expenditures, liquids-focused growth capital, cash-generating infrastructure initiatives, all-in capital efficiency, base decline, production growth, year-end net debt, FCF/debt repayment amounts, adjusted funds flow, free cash flow, processing revenue, operating costs, and royalty rates for 2022; and the annual net operating income and the break-even carbon prices in connection with each of the Glacier Phase I and Phase 2 projects, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this presentation and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies. Accordingly, these estimates are not to be relied upon. Because this information is subjective and subject to numerous risks, it should not be relied on as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this presentation was made as of the date of this presentation and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this presentation is not conclusive and is subject to change.

This presentation contains a number of oil and gas and finance metrics, including "F&D cost", "capital efficiency", "PDP Reserve Replacement", "sustaining capital", "payouts", "internal rate of return (IRR)", "break even carbon price (BECP)", "rate of return", "growth capital", and "base decline rate“ and "NPV10" which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Corporation’s performance; however, such measures are not reliable indicators of the future performance of the Corporation and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. F&D cost is calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both net capital expenditures and changes in FDC required to bring the proved undeveloped and probable undeveloped reserves to production during the applicable period. Reserves additions are calculated as the change in reserves from the beginning to the ending of the applicable period excluding production. Capital efficiency is calculated by dividing net capital development costs for oil and gas activities including drilling, completion, facilities, infrastructure, office and capitalized general and administrative costs (excluding abandonment and reclamation costs, exploration and evaluation costs, and acquisition and disposition related costs and proceeds) by the average production additions of the applicable year to replace base production declines and deliver production growth targets, expressed in $/boe/d. PDP reserve replacement is calculated by dividing proved developed producing reserve net volume additions by the annual production and expressed as a percentage. Sustaining capital is Management’s estimate of the capital required to drill, complete, equip and tie-in new wells to existing infrastructure thereby offsetting the corporate base decline rate and maintain production at existing levels. Payouts means the anticipated duration of production from a well expected to recoup its initial capital investment. Internal rate of return is a metric used in financial analysis to estimate the profitability of potential investments whereby the internal rate of return is a discount rate that makes the net present value equal to zero in a discounted cash flow analysis. Break even carbon price denotes the carbon price of a project that is equal to the net present value of capital spending and operating costs divided by the total CO2 captured over a 30-year period with both the numerator and denominator discounted at 10%. Rate of return means the rate of return of a well or the discount rate required to arrive at a NPV equal to zero. Half cycle rate of return means the rate of return of a well or the discount rate required to arrive at a NPV equal to zero when taking into account "half cycle" costs, which include drilling, completion, equip and tie-in capital expenditures. Base decline rate is Management’s estimated annual reduction in corporate production from currently producing wells that is expected to occur in the subsequent year. Management uses these oil and gas and finance metrics for its own performance measurements and to provide securityholders with measures to compare Advantage’s operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this presentation, should not be relied upon for investment or other purposes.

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Market, Independent Third Party and Industry Data

Certain market, independent third party and industry data contained in this presentation is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Corporation has not conducted its own independent verification of such information. This presentation also includes certain data derived from independent third parties, including, but not limited to, government planned carbon prices, greenhouse gas reporting data and emissions data. While Advantage believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Corporation has not independently verified any of the data from independent third party sources referred to in this presentation or ascertained the underlying assumptions relied upon by such sources.

Non-GAAP Financial Measures

The Corporation discloses several financial and performance measures that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS" or "GAAP"). These financial and performance measures include "net capital expenditures", "adjusted funds flow", "adjusted funds flow per share", "net debt", "net debt to adjusted funds flow" and "free cash flow". Such financial and performance measures should not be considered as alternatives to, or more meaningful than measures determined in accordance with GAAP including "net income", "comprehensive income", "cash provided by operating activities", or "cash used in investing activities". Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. "Net capital expenditures" include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. The Corporation considers "adjusted funds flow" to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, and to support future capital expenditures plans. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables or paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production, highly variable and discretionary. "Net debt" is the total of bank indebtedness and working capital deficit. "Net debt to adjusted funds flow" is a ratio calculated as net debt divided by adjusted funds flow for the previous four quarters. Net debt to adjusted funds flow is considered by management to be a useful measure as it is commonly used to evaluate the leverage of a company and the ability to settle outstanding debt and obligations with cash generated from operations. Free cash flow is a useful measure of Advantage's ability to settle outstanding debt and obligations. Refer to the Corporation's most recent Management's Discussion and Analysis, which is available at www.sedar.com and www.advantageog.com, for additional information about certain financial measures, including reconciliations to the nearest GAAP measures, as applicable.

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Oil and Gas Information

Barrels of oil equivalent ("boe") and thousand cubic feet of natural gas equivalent ("mcfe") may be misleading, particularly if used in isolation. Boe and mcfe conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcfe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This presentation discloses drilling inventory in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule Associates Limited reserves evaluation effective December 31, 2020 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on our prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the 1,400 to 1,500 total drilling locations identified herein, 299 are proved locations, 38 are probable locations and 1,063 to 1,163 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.
References in this presentation to production test rates, initial production rates, IP30 rates, flow rates, yields and other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage. Advantage cautions that the test results should be considered to be preliminary.

Advantage has presented certain type curves and well economics for its Montney areas. The type curves presented are based on Advantage's historical production. Such type curves and well economics are useful in understanding management's assumptions of well performance in making investment decisions in relation to development drilling in the Montney area and for determining the success of the performance of development wells; however, such type curves and well economics are not necessarily determinative of the production rates and performance of existing and future wells and such type curves do not reflect the type curves used by our independent qualified reserves evaluator in estimating our reserves volumes. The type curves differ as a result of varying horizontal well length, stage count and stage spacing. The type curves represent the average type curves expected. In this presentation, estimated ultimate recovery represents the estimated ultimate recovery associated with the type curves presented; however, there is no certainty that Advantage will ultimately recover such volumes from the wells it drills.

Production estimates contained herein are expressed as anticipated average production over the calendar year. Advantage's production disclosed herein is from conventional natural gas, natural gas liquids and light and medium crude oil product types. In determining anticipated production for the year 2022 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2021 and 2022 expected drilling and completion activities.

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Abbreviations

The following abbreviations used in this presentation have the meanings set forth below.

bbl	*barrel*
bbl/d	*barrel per day*
bbls/d	*barrels per day*
bbls/mmcf	*barrels per million cubic feet*
Bcf	*billion cubic feet*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or natural gas liquids for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent per day*
GJ	*Gigajoule*
mcf	*thousand cubic feet*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or natural gas liquids*
mcfd	*thousand cubic feet per day*
mmcf/d	*million cubic feet per day*
mtpa	*million tonnes per annum*
NGL	*natural gas liquids*
DCE+T	*drill, complete, equip and tie-in*
C3+	*propane plus*
C5+	*pentanes plus*